

Fairfax County Economic Index

Volume III, Number 8

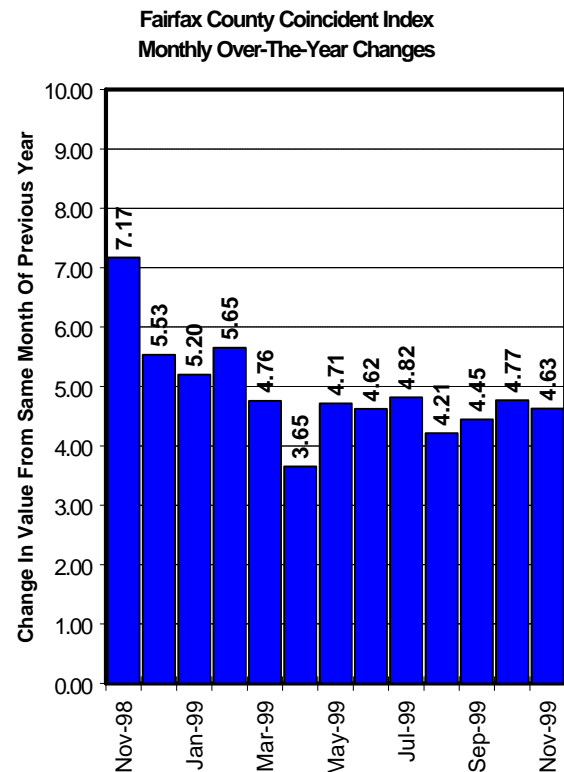
JANUARY 2000

Expansion Continues With Economy Gaining Strength in the Fourth Quarter

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 123.45 in November, for a gain of 0.69 percent. This increase extends the Index's upward trend to a fourth month. During the first 11 months of 1999, the Index was up for the first three months, then declined for four months, and has now registered four monthly gains. These ups and downs translate into a continuation of the economy's expansion with an overall gain year-to-date of 4.6 percent. In November, three of the Index's four components were positive.

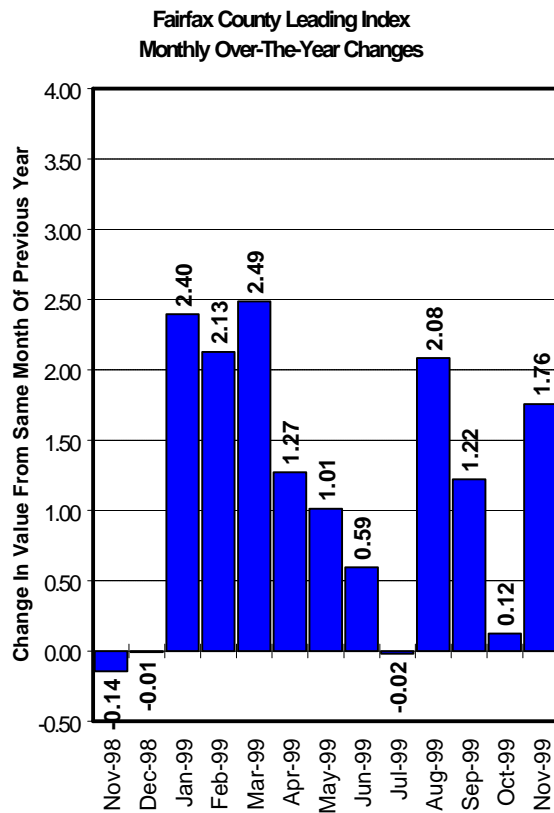
- Total employment increased for a fifth consecutive month and for the ninth time in 11 months;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, were up for a fourth month; and,
- Consumer confidence increased off-setting its October decline; while,
- Sales tax receipts, adjusted for inflation and seasonal variation, were down slightly following two monthly gains.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased 0.84 percent to 105.89 after having declined in the previous two months. For the 11 months of 1999, the Leading Index has been up in five months and down in



Source: Mason Enterprise Center, George Mason University

six but has sustained a slightly positive trend over this period gaining 1.04 percent. And, with the Index's gain in November, it is now tracking the 12-month moving average growth trend. Four of the Index's five components contributed to the Index's gain in November.



Source: Mason Enterprise Center, George Mason University

- Consumer expectations increased in November after declining in the previous two months;
- Residential building permits were up sharply reversing two substantial monthly declines;
- The total value of residential building permits increased for the first time in three months; and,
- Initial claims for unemployment insurance decreased (improved) for the fourth time in five months; while,
- New automobile registrations dropped for a second month and for the third time in five months.

The Fairfax County economy has experienced strong growth in 1999 although the pattern of gains over the year has been uneven with a deceleration in the middle third of the year followed by a rebound beginning in August and extending at least through November. While the economy continues to grow at an annualized rate exceeding 5 percent, its forward looking indicators have not performed as strongly dating back to February. While the Leading Index has

been up and down over the year and grew in November, it is no longer leading the historic trend (12-month moving average). This moderation of the Index's growth trend is pointing to slower growth in the County's economy in 2000.

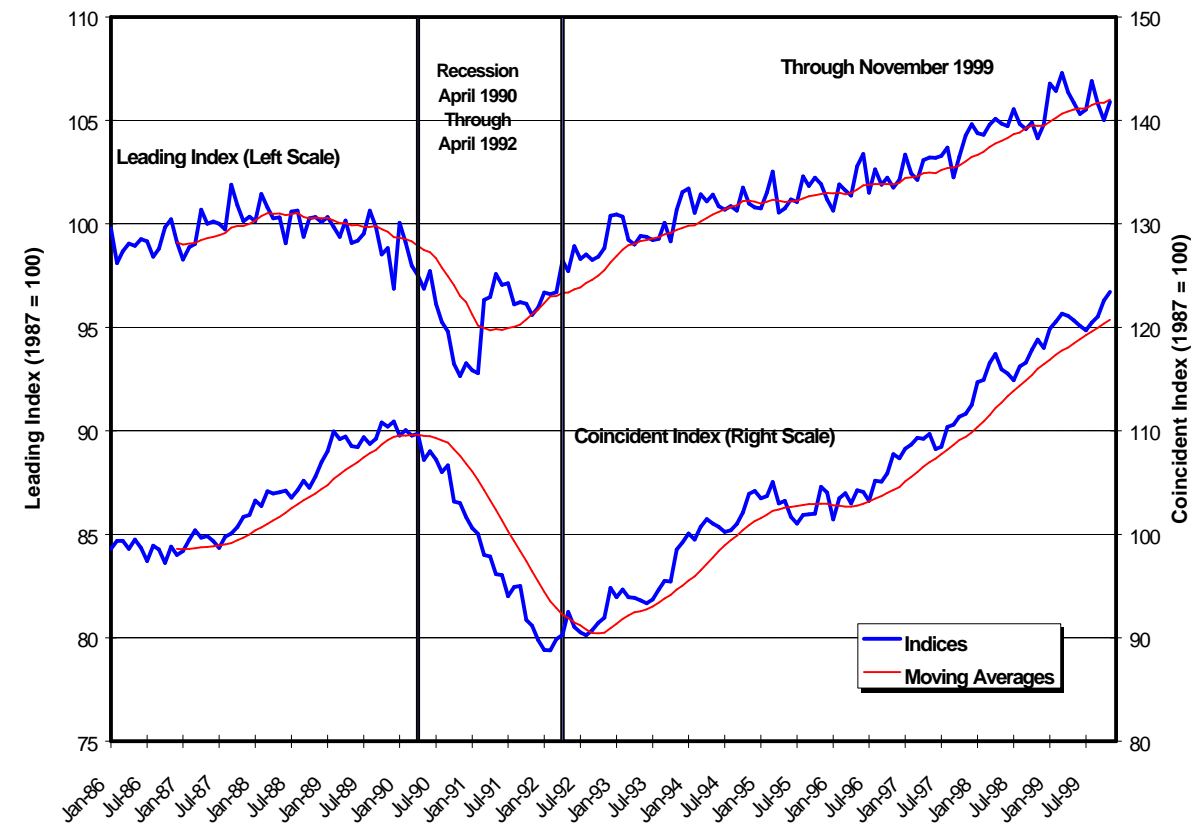
CURRENT CONDITIONS

The vitality of the Fairfax County economy is most easily seen in its continued strong job growth. Over the past 12 months, 24,395 new jobs were generated by the County's economy, a gain of 5.0 percent. This job gain accounted for 35 percent of the 68,100 new jobs generated in the Washington metropolitan area, an areawide increase of 2.6 percent. These job growth rates show that the Fairfax County economy is generating new jobs almost twice the rate as the Washington area. At the same time, the County's unemployment rate has dropped to 1.5 percent, down from 1.7 percent in November 1998. This rate compares to 1.9 percent for the total Washington suburbs and to 2.3 percent for the Washington metropolitan area.

The continuing growth of the local economy has been supported by the expansion of the employment base and the new income this has brought into the County. This new income has helped support higher consumer spending which is up almost 12.0 percent for the year compared to an estimated increase of 10.0 percent in the metropolitan area. Regionally, gains in durable goods sales have been responsible for most of the increase in retail sales. With automobile sales up 13.3 percent in Fairfax County, the same pattern may have occurred. A shift of consumer spending to durable goods makes retail spending more vulnerable to changes in consumer confidence and increases in interest rates.

With consumer confidence on the rebound from its decline during the late summer and early fall, the other major concern in the economy is the availability of qualified labor resources. With the County's labor force growing just 1.25 percent and its employment base increasing by 5.0 percent, the shortage of workers would appear to be a growing problem. The only solution in the short term is to rely on non-resident workers coming into the County to fill its jobs. This growing dependency on non-resident workers may explain the County's worsening traffic congestion.

Business Cycle Indicators – Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

The monthly over-the-year performance of the Coincident Index confirms its strong gains building on last year's (1998) growth. It also shows the economy's same-month gains slowing slightly as the year progressed through May. Since May, however, the same-month gains in the Coincident Index have been remarkably steady. This stability in the growth rates over the past seven months suggests that the County's economy is in balance and has no major distortions or weaknesses that could substantially undermine its near-term performance.

NEAR-TERM OUTLOOK

The forecast for the national economy is for growth to slow from its 1999 estimated rate of 4.0 percent to 3.25 in 2000. The Federal Reserve Board has raised interest rates three times in 1999 in an attempt to slow the economy with only minor effects

so far—the housing market has slowed as fixed 30-year mortgage rates have inched above 8 percent. With at least one more rate increase and more likely two early in the year, slower economic growth will result. The forecast for the Washington metropolitan area recognizes the expected slower national economic growth and projects a gain of 3.4 percent for 2000 which is down from 4.1 percent in 1999.

Slower growth can be expected in Fairfax County as well especially during the year's first half. The County's economy will be influenced by higher interest rates, higher wage rates and price increases, labor shortages, and weaker consumer spending. With consumer debt loads at near peak levels, it can be expected that debt reduction will result in slightly slower retail spending. However, these external and internal constraints will only moderate the strong growth trend that Fairfax County has enjoyed over the past four years and the County's economy will continue to maintain its position in the regional economy as its largest single source of local job and income growth.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Nov-99 Prelim.	Oct-99 Final	Nov-98 Final	Oct-99 to Nov-99	Nov-98 to Nov-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	123.45	122.61	118.82	0.69	3.90
Leading Index (1987 = 100)	105.89	105.01	104.13	0.84	1.69
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	513,049	512,564	488,654	0.09	4.99
<i>Total Covered Employment (Unadjusted)</i>	<i>514,983</i>	<i>511,057</i>	<i>490,497</i>	<i>0.77</i>	<i>4.99</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	343	298	344	15.00	-0.12
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>505</i>	<i>474</i>	<i>494</i>	<i>6.51</i>	<i>2.21</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,657	8,909	7,738	-2.83	11.88
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,095</i>	<i>10,502</i>	<i>9,589</i>	<i>5.65</i>	<i>15.71</i>
South Atlantic Consumer Confidence	185	183	179	0.98	3.53
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,490	6,308	4,847	-12.97	13.27
<i>Automobile Registrations (Unadjusted)</i>	<i>4,882</i>	<i>6,070</i>	<i>4,310</i>	<i>-19.57</i>	<i>13.27</i>
Initial Unemployment Claims (Seasonally Adjusted)	625	636	740	-1.68	-15.47
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>563</i>	<i>585</i>	<i>666</i>	<i>-3.76</i>	<i>-15.47</i>
South Atlantic Consumer Expectations	117.1	113.4	110.0	3.26	6.45
Residential Building Permits (Number of Units, Seasonally Adjusted)	548	330	439	65.88	24.74
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>484</i>	<i>359</i>	<i>388</i>	<i>34.82</i>	<i>24.74</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	34,451	25,933	33,253	32.85	3.60
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>45,067</i>	<i>41,146</i>	<i>42,511</i>	<i>9.53</i>	<i>6.01</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	548,116	538,832	539,277	1.72	1.64
<i>Total Labor Force (Unadjusted)</i>	<i>562,929</i>	<i>545,166</i>	<i>553,851</i>	<i>3.26</i>	<i>1.64</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.23	1.47	1.33	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.59</i>	<i>1.83</i>	<i>1.69</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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